ABOUT THE MANITOBA LOTTERIES FOUNDATION

The Manitoba Lotteries Foundation (MLF) is the crown agency of the provincial government answering to the Minister responsible for Lotteries. Its mandate is to manage, operate and license gaming activities within Manitoba. Its aim is to maximize long-term economic returns to the province while maintaining a high level of business integrity and social responsibility. ■ Administered by a board of directors appointed from the community, the MLF is responsible for all lottery and gaming activities in the province, with the exceptions of raffles offering prizes under $3,000, which are licensed by municipalities and the City of Winnipeg, and betting on horse races. ■ A pacesetter in the gaming industry, the MLF manages and operates a year-round casino and two bingo halls in Winnipeg, and licenses bingos, raffles, calcutta auctions, midways, wheels of fortune, Monte Carlo casinos, and the sale of breakopen tickets. It also distributes breakopen tickets and bingo paper throughout the province. ■ The MLF distributes and sells tickets for lotteries operated by the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation. The MLF is represented on the boards of both corporations. ■ Through the Lotteries Distribution System, revenue from lotteries and gaming activities support health care and medical research, conservation, the arts, fitness and sports, community services, heritage, recreation and multicultural initiatives. ■

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September 14, 1991

Honourable Bonnie Mitchelson
Minister responsible for Lotteries
Legislative Building
Winnipeg, Manitoba

Madam:

I have the honour to present you with the annual report of the Manitoba Lotteries Foundation for the fiscal year ended March 31, 1991.

Respectfully submitted,

G K Hammond

Gerrie Hammond (Mrs.)
Chair
Board of Directors
Manitoba Lotteries Foundation

92-03992/

CHAIR'S MESSAGE

In order to meet the demands of the future, the MLF will begin to expand into new activities.

Fiscal year 1990-91 was a successful year for the Manitoba Lotteries Foundation The MLF responded to the needs of the marketplace and did an exceptional job in meeting and satisfying those demands. ■ The MLF's mission, as a crown agency of the Province of Manitoba, is to manage and conduct gaming and related activities to maximize long term returns to the government while maintaining a high level of business integrity and social responsibility. ■ In fulfilling this mission statement the MLF must recognize and deal with the major issues facing the gaming industry in Manitoba. ■ One of the primary issues that we must continue to address is the need to ensure that our ongoing regulatory efforts are efficient and effective. To do so they must be not only timely and responsive but also adaptable to change. The continued focus must be on preparing the regulatory system for the increased flexibility and responsiveness which is vital to ensuring that community groups are able to raise funds. ■ The MLF played a key role in the establishment of Canada's first Indian Gaming Commission last year and looks forward to the creation of two new Indian Gaming Commissions in Manitoba, representing ten Indian Bands. The Board views the establishment of these as an important step to ensure that all gaming in Manitoba is protected through uniform terms and conditions and accountability. ■ One of the concerns that needs to be addressed is future revenue growth in a mature industry. While Lotto 6/49 is still very popular and represents over half the lottery business, revenue from it has stabilized over the past years. ■ In order to meet the demands of the future, the MLF will begin to expand into new activities. In the maturing lottery market two products hold out promise for expanding the player base. Sport Select, a sports betting game introduced this year and Video Lottery Terminals. ■ The Board would like to thank the staff of the MLF for their continued hard work and enthusiasm which contributed in large measure to this year's success. The Board would also like to acknowledge Mrs. Glenda Russell, former MLF Chair, for her contributions and leadership. ■ As we prepare for the new fiscal year, I am confident that we will build on our past success and maintain our focus and determination to serve our customers well. ■

G K Hammond

Gerrie Hammond (Mrs.)
Chair
Board of Directors
Manitoba Lotteries Foundation

GENERAL MANAGER'S REPORT

The annual report describes a successful year during which the Manitoba Lotteries Foundation achieved a net income of $61.3 million. ■ This was used to fund a wide range of non-profit, community organizations and projects in the areas of health, conservation, multiculturalism, heritage, recreation, the arts, amateur sports, community service and other causes. ■ The introduction of exciting new on-line games like Sport Select and POGO as well as a variety of instant games like Endangered Species combined to stimulate sales in a mature industry. ■ By continuing to emphasize the development and design of new breakopen tickets, new markets, and the exploration of new sales and distribution channels, the MLF continued to develop player interest in this important segment of the industry. ■ The establishment of a separate entrance, valet parking and a dedicated coat check lounge for the Crystal Casino enhanced its popularity and the reputation it holds as a model within the Canadian gaming industry. ■ The regulatory arm of the MLF continued to assist organizations in their fundraising efforts by establishing regulations that provide accountability and adequate controls; ensure profits to charitable organizations are maximized; and ensure lottery activities are conducted in a manner which is fair to the public. ■ In the coming year, the MLF's efforts will focus on building for the future to ensure continued financial stability, success and growth. ■ Video Lottery Terminals (VLTs) are revolutionizing the Canadian lottery industry and will stimulate sales in a mature marketplace. In the upcoming year, VLTs will be introduced in rural Manitoba hotels and lounges. Net revenues from the VLTs will provide a new source of funds for rural economic development. ■ Two new table games, Pai Gow Poker and Super Pan Nine, will be introduced in the Crystal Casino in the 1991-92 fiscal year. As well, 35 new and exciting quarter-play slot machines will add to the Crystal Casino's slot product mix. ■ These changes, along with the loyalty and dedication of the many people comprising the MLF, will continue the MLF's growth and create a solid foundation for future success. ■

In the coming year, the MLF's efforts will focus on building for the future to ensure continued financial stability, success and growth.

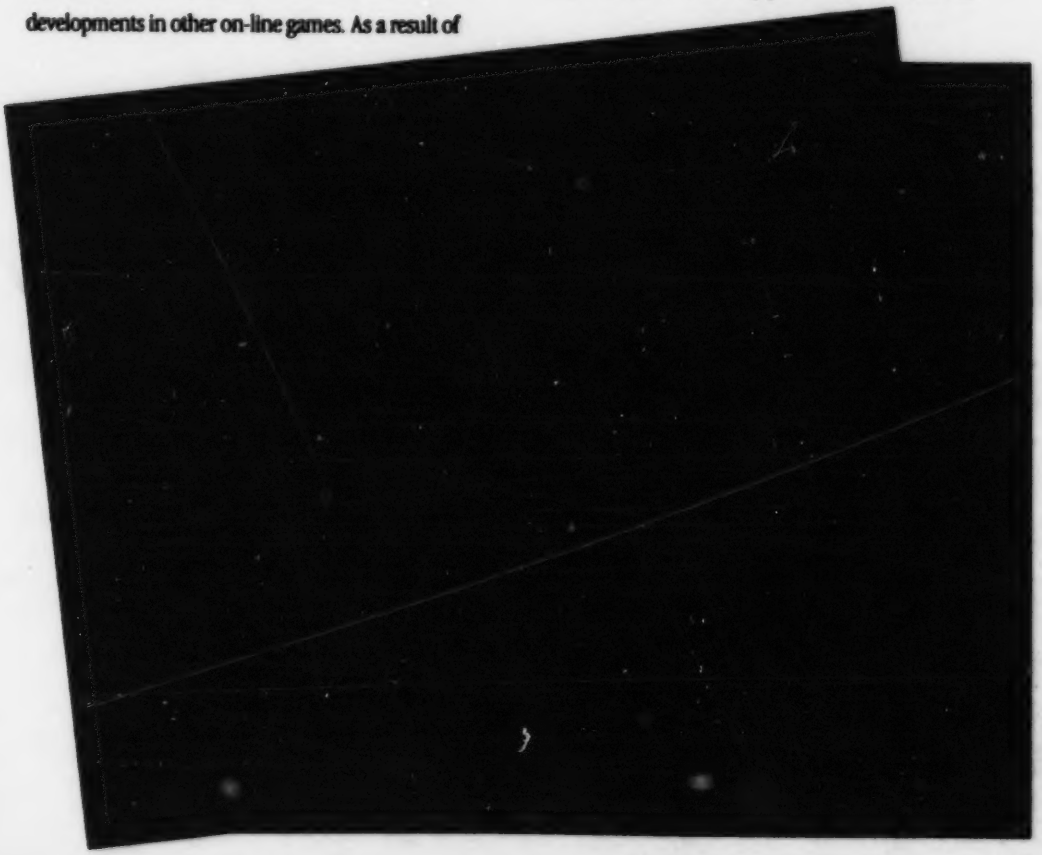
Bill Funk
General Manager
Manitoba Lotteries Foundation

LOTTERY TICKETS

"Endangered Species", printed on recycled paper, focused on a series of five endangered wildlife in Manitoba while its proceeds supported special conservation projects in Manitoba.

The MLF is an active partner in the Western Canada Lottery Corporation (WCLC), a regional marketing organization responsible for the development and conduct of lotteries in the Prairie provinces and Territories. Manitoba, Saskatchewan and Alberta participate as full members in the WCLC, while the Yukon and Northwest Territories are associate members. ■ The MLF is the sole distributor of lottery products in Manitoba and is responsible for the development and maintenance of an effective retailer network for the sale of lottery tickets. Currently, 1,115 retailers participate in the network and assist the MLF in providing lottery product throughout the province. ■ The retailer network is a vital link between the MLF and its customers. To assist the retailers in providing quality service and current product information to lottery ticket buyers, the MLF offers several training programs. The retailer training program, "Components for Winning", produced by the WCLC and delivered by the MLF, is designed to assist retailers in improving their sales and profit levels. A technical training program is designed to train retailers in the operation of the ticket terminal in order to sell on-line products. Over this past fiscal year, more than 200 classes were conducted with 920 retailers trained. ■ A new concept in training was developed this year in order to make new product introduction more efficient and effective. Rather than introduce new on-line products on an individual store by store basis, the concept of mass retailer "rallies" was conceived. Rallies were conducted in both Winnipeg and rural Manitoba and brought together as many as 200 retailers at a time to learn the fundamentals of the new product. The future for product launches lies with the rally concept as it provides quality time with the retailer while concentrating launch efforts over only a few events. ■ In March, the MLF hosted the third Annual Lottery Retailers' Convention, which attracted over 450 delegates and featured an effective mix of informational seminars, motivational speakers and first rate entertainment. ■ Working in conjunction with the WCLC, the MLF participated in the development of exciting new lottery products and merchandising programs. During the year

12 new Instant games were released, including a theme ticket, *Happy St. Patrick's Day*, the first $5.00 instant ticket, *Holiday Surprize* and the first $5.00 instant ticket sold exclusively in Manitoba, *Endangered Species*. A joint effort of the MLF, WCLC and the Manitoba Department of Natural Resources, Endangered Species, printed on recycled paper, focused on a series of five endangered wildlife species in Manitoba while its proceeds supported special conservation projects in the province. The year also saw the final *Western Express* game draw as the *Western Express* play format changed to a totally instant game. ■ There were also dramatic developments in other on-line games. As a result of enthusiastic player response, *Sport Select* was launched in October and offers players an opportunity to wager on the outcome of professional hockey and football events. ■ The *Provincial* ticket underwent a major prize structure and ticket change. It now features two decomposable numbers and twenty non-decomposable numbers drawn each week for four weeks, with prizes ranging from $5,000.00 to $50,000.00. ■ At the close of the fiscal year, sales began for *POGO (Pick One, Get One)*, the latest on-line game and replacement for *LOTTO 6/36*. It is a pick one, get one pari-mutuel game featuring two tickets for $1.00 with a top prize of $250,000.00. ■

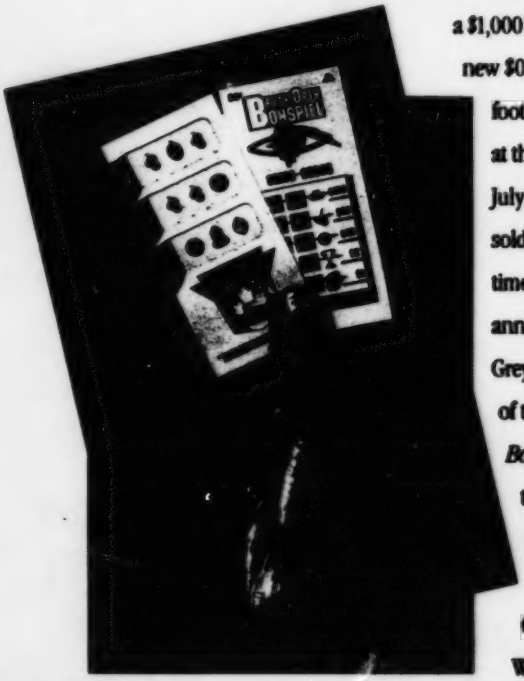


BREAKOPEN TICKETS

By continuing to emphasize the development and design of new breakopen tickets, new markets, and the exploration of new sales and distribution channels, the MLF was able to sustain the growth pattern established in the last quarter of the previous fiscal year.

The MLF continued to be a clear front runner in Canadian gaming by developing market-specific theme tickets with pacesetting ticket design.

■ In 1990-91 the MLF continued to be a clear front runner in Canadian gaming by developing market-specific theme tickets with pacesetting ticket design. ■ During the fiscal year, the MLF developed and released 15 new breakopen games, ranging in price from $0.25 to the first $2.00 product, *Sky's The Limit* featuring a $1,000.00 top prize. ■ The new $0.25 *Blue and Gold* football ticket was introduced at the Winnipeg Stadium in July 1990 and successfully sold throughout the season in time for the team's 60th anniversary and their 1990 Grey Cup win. The launch of two new *Breakopen Bonspiel* curling-oriented tickets proved extremely popular during the Safeway World Curling Championships at the Winnipeg Arena in March 1991. These theme games had a major impact on sales as they were sold through traditional licensee outlets as well as at the specific venues which they were designed to support. ■ The MLF will introduce the very first environmentally-friendly breakopen ticket in the next fiscal year with the arrival of the *Fun 'n Fitness* game in May 1991. Significant, since it is the first breakopen ticket made of 100 % recycled paper, *Fun 'n Fitness* will be introduced at a variety of amateur sport special events such as the Manitoba Marathon, Manitoba Junior Track and Field Championships and the 24 Hour Relay. It will also be available at regular licensee outlets throughout urban and rural Manitoba. ■ The thrust into the new fiscal year will be on exciting new concepts such as double sided breakopen games, die cut tickets, and special event theme games. ■ The breakopen ticket sales network is unique in Manitoba. Tickets sold at hotels, cabarets and lounges benefit Manitoba Medical Research while proceeds go directly to the non-profit organization selling the breakopen tickets at MLF- operated bingo halls, licensed bingo events and special events. ■ In 1990-91 innovation in breakopens extended to the distribution channels. Breakopen tickets were sold side-by-side with instant lottery tickets at ten lottery sales centres for a 16 week test period which began in February. Initial sales results indicate that this move is very popular with consumers. ■ Electronic breakopen dispensing equipment was tested in both MLF- operated bingo halls and the initial results show high player acceptance. This equipment allows for constant access to the breakopen tickets by the player with a self serve concept. The MLF will continue to test this equipment in the 1991-92 fiscal year. ■



BINGO HALLS

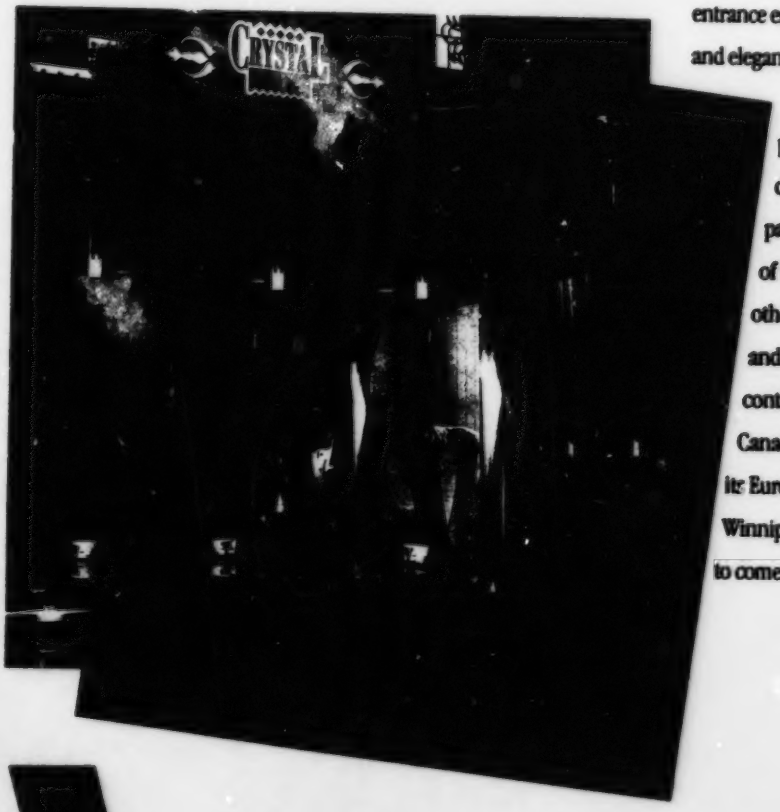
A perennial favourite in the gaming industry, bingo's enduring popularity makes it an ideal fundraising venue for non-profit organizations. ■ In Winnipeg, the MLF operates two bingo halls — Bonanza Bingo with a capacity for 850 players and Pot O' Gold Bingo which can accommodate 950 players. Profits from both halls are channelled directly into the community through Umbrella groups which — through the Lotteries Distribution System — coordinate participation in bingo events by organizations within their jurisdictions. Volunteers from these non-profit organizations assist MLF staff with the operation of the bingo events. ■ Open all but seven days of the year, MLF-operated halls hosted 1,832 bingo events in 1990-91. These included Share the Wealth bingos — in which the size of the cash prize depends on the number of players. ■ The fiscal year of 1990-91 witnessed the introduction of a new breakopen product designed especially for and to be sold exclusively at both Bonanza and Pot O' Gold Bingo. *Sky's The Limit*'s availability will be extended to all licensees in the next fiscal year. ■ While bingo in its present form remains an enduringly popular form of entertainment and fundraising, the MLF continued to research and explore new variations of the game, both in terms of technology and security during 1990-91. ■ Without a doubt, bingo is certain to remain a principle source of fundraising for non-profit community groups throughout the province of Manitoba. ■

The MLF continued to research and explore new variations of the game both in terms of technology and security.

CRYSTAL CASINO

Quiet elegance, intimacy, customer service and attention to detail are the hallmarks of the MLF Crystal Casino, located in Winnipeg's historic Hotel Fort Garry. ■ The Crystal Casino, the first of its kind in Canada, opened its doors to the public December 29, 1989. Based on the European model, the casino is both "classically continental" and uniquely Canadian in concept. ■ The casino offers approximately 380 playing positions. There are 24 table games including Baccarat, La Boule, Roulette, and Blackjack and 175 exciting and colourful slot machines featuring Keno, Reel, Roulette and Video Poker either as stand alone games or in progressive jackpot links. Broadway Derby is the newest addition to the slot machine line-up. ■ Proceeds generated at the casino's table games and slot machines support Manitoba's Health Services Development Fund—for health promotion and disease prevention initiatives. ■ More than 150 full-time employees staff the casino, including dealers, inspectors, security staff, slot machine personnel and cashiers, as well as hosts and hostesses. ■ The 1,170 square metre facility has the capacity to hold 700 guests at any one time. Over 400,000 people have visited the Crystal Casino and it is considered a "must see" for visitors to Winnipeg. ■ The fiscal year of 1990-91 saw the establishment of a separate, street-level entrance for the Crystal Casino. An architectural feature of the Hotel Fort Garry, this second entrance-way was formerly "the Ladies' Entrance", closed since the late 1940s. The restoration of this entrance enhances the historical significance of the Hotel and elegantly returns it to its original grandeur. ■ In order to enhance customer service, valet parking was introduced this fiscal year and a dedicated coat check lounge for Crystal Casino patrons was established on the mezzanine level of the Hotel Fort Garry. ■ Closely monitored by other provincial jurisdictions due to its successful and unique operation, the Crystal Casino continues to be considered a model within the Canadian gaming industry. The MLF is confident its European-style gaming within the heart of Winnipeg will continue to set the pace for some time to come. ■

Over 400,000 people have visited the Crystal Casino and it is considered a "must see" for visitors to Winnipeg.



SECURITY AND LICENSING

Behind the elegance of the casino and the fun and excitement of bingo, lottery tickets, and other games of chance, MLF security and licensing staff ensure the integrity of all MLF-licensed gaming activities in the province.

■ Licensing staff perform a regulatory and consultative function within the MLF. They ensure fair and equitable processing of lottery license applications and provide consultation to community groups seeking to raise funds through gaming. Staff clarify licensing and financial reporting requirements for non-profit groups to assist them in the efficient operation of licensed events. The MLF is the only regulatory gaming agency in Canada to provide a consulting service to the community.

■ In a concerted effort to meet the needs of MLF licensees, Terms and Conditions, license applications, quarterly reports and event reports were revised and updated through intensive community consultation during this fiscal year.

■ The MLF played a key role in the establishment of Canada's first Indian Gaming Commission by The Pas Indian Band. This precedent-setting agreement, signed January 9, 1990, marked an important milestone for gaming regulation in Manitoba. ■ In 1990-91, the MLF continued its precedent-setting role with extensive preparations for the creation of two new Indian Gaming Commissions in Manitoba. The West Region Economic Development Corporation—representing nine Indian bands—signed an agreement May 9, 1991, and the Norway House Indian Gaming Commission was created on June 7, 1991.

The MLF played a key role in the establishment of Canada's first Indian Gaming Commission by The Pas Indian Band.

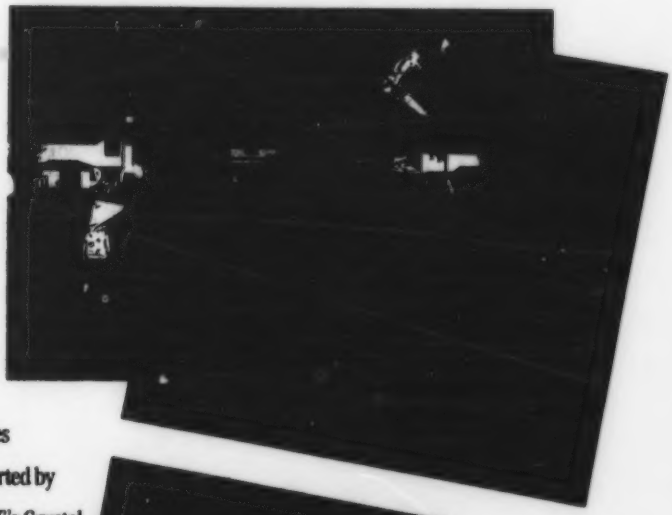
■ When participating in gaming activities, consumers have the right to expect both game integrity and personal security. MLF security ensures the protection of all MLF products, operations, and facilities through professional staffing and modern technology. Routine inspections of gaming equipment and investigations of irregularities and complaints give Manitobans the assurance that our gaming industry offers maximum game integrity and appropriate security.

■ At its best, security is effective and discreet. The Crystal Casino's security is comprised of state-of-the-art surveillance technology and safety and security systems. Once again, even behind the scenes, the MLF sets the pace in gaming security. ■

ENRICHING THE LIVES OF MANITOBANS

Manitoba's gaming revenue continues to support a wide range of non-profit, community organizations including conservation, community support programs, multiculturalism, heritage, recreation, community service, the arts, amateur sport and health-related programs. ■ The Lotteries Distribution System is a flexible, accountable and accessible mechanism for the disbursement of funds. It represents a cooperative effort of government departments, funding Umbrellas and community support programs. Umbrellas are large, representative bodies which distribute gaming revenue to groups which fall within their jurisdiction. Community support programs include major tourism events and professional sports groups. Revenue is also utilized directly by government departments for their program areas. ■ Manitoba's Health Services Development Fund is supported by funds generated by the MLF's Crystal Casino. This fund was created to reduce long-term health care costs in Manitoba through innovative programming, acquisition of vital medical equipment, health promotion and disease prevention. ■ The Special Conservation Fund was supported by proceeds generated by the *Endangered Species* instant lottery ticket sold exclusively in Manitoba during 1990-91. The enhancement and preservation of our natural environment is a major focus of the Special Conservation Fund which, in turn, positively affects Manitoba's endangered wildlife. ■ Gaming revenue is hard at work in a variety of vital ways throughout Manitoba virtually every day of the year. The sale of breakopen and lottery tickets, the operation of Bonanza and Pot O'Gold Bingo Halls, the Crystal Casino and the licensing of gaming activities all provide funds that ultimately enrich the lives of Manitobans. ■

Gaming revenue is hard at work in a variety of vital ways throughout Manitoba virtually every day of the year.



FUNDING UMBRELLAS

Manitoba Arts Council/Manitoba Arts Gaming Fund Commission

The **Manitoba Arts Council** is the designated organization to distribute lottery revenues for the arts. It is an agency of the Province of Manitoba and is directed by 15 government-appointed members. Its broad mandate is to promote the study, enjoyment, production and performance of works in the arts.

The Council provides support to professional arts organizations and to individuals in dance, music, theatre, and the visual and literary arts. Specific criteria are outlined in its more than forty program guidelines.

The lottery revenues are shared on a 75/25 ratio between the Manitoba Arts Council and its lottery allocations committee, the **Manitoba Arts Gaming Fund Commission**. The Arts Gaming Fund is operated under the mandate of the Manitoba Arts Council. All of the funds distributed by the Manitoba Arts Gaming Fund Commission are gaming-based.

The Commission applies its portion of the revenues towards capital projects, special endeavours, tours, and aspects of operations.

A broad range of not-for-profit charitable arts organizations including professional arts organizations, provincial arts associations, and community amateur arts groups may apply to the commission.

For further information contact:
MANITOBA ARTS COUNCIL
525-93 Lombard Avenue
Winnipeg, Manitoba R3B 3B1
(204) 945-2237

Manitoba Community Services Council

The **Manitoba Community Services Council** (MCSC) was established in 1984 as a funding Umbrella of the Lottery Funding System.

The role of its volunteer board is to allocate gaming funds and/or bingo events for projects and services of non-profit community service, social service, recreation and health-related organizations.

MCSC guidelines are broad in order to respond to the changing needs of Manitoba communities.

For Further Information Contact:
MANITOBA COMMUNITY SERVICES COUNCIL
405 - 5 Donald Street
Winnipeg, Manitoba R3L 2T4
(204) 475-3728

Multicultural Grants Advisory Council

The **Multicultural Grants Advisory Council** (MGAC) was established to further the principles of pride, equality and partnership by recommending funding to assist community organizations. Funds are provided to successful applicants by the awarding of bingo events, by cash awards or by a combination of both. MGAC assists community organizations to preserve, enhance, develop, promote and share Manitoba's rich and diverse cultural heritages and also to address the challenges of living together in harmony and equality for diverse groups of people.

The amount of support is based on the availability of funds, the needs of the applicant, and the ability of the applicant to make effective use of funds available. Eligible organizations may apply for operational funding, special projects or capital projects. The Council has established an appeal process to give an opportunity to those organizations who may want to seek re-consideration of the decisions made on their applications. The volunteer nature of the board assures members are dedicated supporters of the ongoing development of Manitoba's multicultural fabric.

For Further Information Contact:
MULTICULTURAL GRANTS ADVISORY COUNCIL
201 - 379 Broadway
Winnipeg, Manitoba R3C 0T9
(204) 942-5362

Manitoba Heritage Federation

The **Manitoba Heritage Federation** was established in 1985 as the funding Umbrella responsible for distributing gaming revenue to organizations or individuals whose aims are to preserve Manitoba's heritage. The Federation promotes, encourages, develops and preserves a forum in which organizations can share their common interest in Manitoba's heritage. Grants are extended to the heritage community for the continued development and promotion of heritage projects and programs throughout the province.

For Further Information Contact:
MANITOBA HERITAGE FEDERATION
434 - 167 Lombard Avenue
Winnipeg, Manitoba R3B 0T6
(204) 943-4588 /
Toll-Free 1-800-782-0399

Manitoba Sports Federation

The **Manitoba Sports Federation** (MSF) is the designated funding Umbrella for amateur sport in the province. It represents 96 associations ranging from sport governing bodies such as the provincial hockey and swimming associations to regional sport organizations.

The mandate of the MSF is to encourage participation in sport at all levels of skill and to develop athletes of a national and international calibre. The Federation also plays a major role in the advocacy and promotion of amateur sport in Manitoba.

For Further Information Contact:
MANITOBA SPORTS FEDERATION
200 Main Street
Winnipeg, Manitoba R3C 4M2
(204) 925-4000

LOTTERIES DISTRIBUTION SYSTEM 1990/91

Department of Health**
- Health Services Development Fund
- Health Policy Evaluation & Research
- Children's Hospital Research Foundation
- Manitoba Health Research Council

Department of Natural Resources**
- Special Conservation Fund

Department of Culture, Heritage & Citizenship**
- Manitoba Arts Council*
- Manitoba Heritage Federation*
- Multicultural Grants Advisory Council*
- Manitoba Community Services Council*

Department of Industry, Trade & Tourism**
- Manitoba Sports Federation*
- Sport Directorate
- Fitness Directorate

Community Support Programs
- Festival du Voyageur
- Folk Arts Council of Winnipeg
- Winnipeg Blue Bombers Football Club
- United Way
- Manitoba Community Education Association
- Winnipeg Fury
- Manitoba Stampede

(*Funding Umbrellas)
(**Financial Information is available in Departmental Annual Reports)

Community Support Programs Disbursement

Lotteries Distribution System	$1,672,900
Festival du Voyageur	272,000
Folk Arts Council of Winnipeg	242,000
Winnipeg Blue Bombers	242,000
United Way	2,179,000
Winnipeg Fury	80,000
Manitoba Stampede	195,000
Total	$4,882,900

Bingo Halls Revenue Disbursement

Manitoba Arts Council	$ 129,015
Multicultural Grants Advisory Council	356,421
Manitoba Community Services Council	962,341
Manitoba Sports Federation	2,562,050
Manitoba Community Education Association	198,054
Total	$4,207,881

For Further Information About Where The Money Goes in Manitoba Contact:
LOTTERIES DISTRIBUTION SYSTEM
201-379 Broadway
Winnipeg, Manitoba R3C 0T9
Toll-Free 1-800-282-8069 Ext. 0216
or (204) 945-0216

FINANCIAL SECTION

FINANCIAL REVIEW

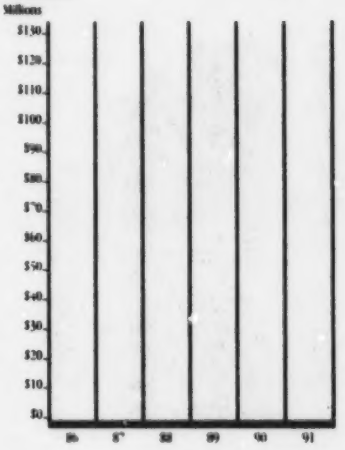
The following review presents data and comments on the MLF's financial position and results of operations for the fiscal year 1990-91. It should be read in conjunction with the financial statements which follow.

The MLF recorded net income of $61.3 million for the fiscal year ended March 31, 1991. This was a $7.0 million increase or 12.9 % above the net income achieved in the previous year.

NET LOTTERY REVENUE

Net lottery revenue increased by $.5 million or 1.2 % . The Canadian lottery industry has reached a mature state and Lotto 6/49, with sales accounting for over 50 % of total lottery sales, has reached a plateau. While the Provincial, Special Event and Instant tickets were in decline, the introduction of Sport Select, the increased popularity of "The Plus", a redesigned Western Express ticket, as well as a special Endangered Species Instant ticket allowed MLF to maintain sales levels.

Net Lottery Sales



LOTTERY SALES

Product	1989-90	1990-91	Increase (Decrease)	Percentage Change
Western Express	$5.5	$6.4	$0.9	16.4 %
Provincial	4.8	4.0	(0.8)	(16.6) %
Sport Select	—	4.5	4.5	100 %
Instant Tickets	34.8	28.5	(6.3)	(18.1) %
Lotto 6/49	66.5	67.4	0.9	1.4 %
Lotto 6/36	3.6	3.6	—	—
Special Event	2.2	1.7	(.5)	(22.7) %
The Plus	8.0	8.8	0.8	10.0 %
Daily Deal	1.1	1.3	0.2	18.1 %
Total	$126.5	$126.2	$(0.3)	(.2) %

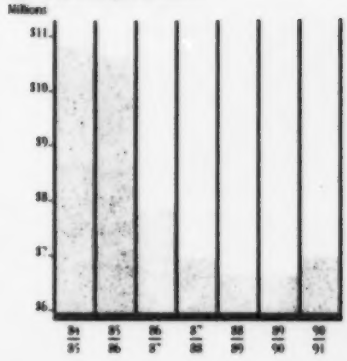
NET BINGO AND BREAKOPEN PRODUCTS REVENUE

Breakopen ticket sales increased by 6 % . The introduction of a variety of products focusing on special events such as Winnipeg Blue Bomber football games and the Safeway World Curling Championships, as well as varying the prize payback levels have resulted in increased sales. Breakopen tickets were also sold at a number of lottery retailers on a test basis with very positive results.

Bingo paper sales increased from $2.37 million to $2.54 million, a 7 % increase. This reflects the continued popularity of bingo as a form of entertainment.

Direct expenses associated with selling breakopen tickets and bingo paper increased by $54,000 which resulted mainly from the increased delivery costs and the Goods and Services Tax.

MLF Breakopen Sales



NET BINGO HALL REVENUE

The net revenue generated by the MLF's two bingo halls in Winnipeg located at 427 McPhillips Street and 970 Nairn Avenue decreased by $.06 million or 1 % to $4.575 million. Average attendance at evening bingo has remained fairly constant over the last year at both MLF halls.

Direct expenses associated with the operation of the two bingo halls increased by 11.8 % . This was due to increased maintenance costs which reflects the age of the facilities and the equipment, increased staffing costs associated with running an additional weekly event, as well as the Goods and Services Tax. In 1989-90, the MLF received a business tax refund which reduced expenses in that year by $42,000.

Charitable community organizations were scheduled through funding Umbrella groups to participate at specific bingos. The organizations provided volunteers to assist in the operation of bingo events and earned funds directly from those events.

NET CASINO REVENUE

The Crystal Casino's net revenue for the year amounted to $8.6 million.

Revenue was affected by the closing of the Casino operation for 70 days due to a labour dispute. The 1989-90 financial results are based on 3 months of operations. The 1989-90 expenses also include approximately $1.4 million in one time and start-up costs.

The Crystal Casino is proving to be a major success with attendance totalling 295,000 in 1990-91, approximately 25 % of the patrons are from out-of-town.

NET LICENSE FEE REVENUE

Organizations may raise funds directly through MLF-licensed events: bingos, breakopen ticket sales, calcuttas, Monte-Carlo casinos, raffles (with prizes over $3,000) and media bingo. Overall gross revenue generated by licensed lotteries increased from an estimated $107.8 million in fiscal 1989-90 to an estimated $121.0 million for this fiscal year. This is a $13 million or 12.2 % increase.

As a result of the increases in bingo, raffle and calcutta revenue, the license fees collected by the MLF increased by $125,000. Coupled with a reduction in expenses of $6,200 from the previous fiscal year, the net license fee revenue of $322,000 represents a significant increase over that of the previous year.

LICENSED EVENTS
(In $ Million)

Events	Licenses	Gross Revenue	Prizes Paid	Total Expense	Net Profit
Bingo	723	$65.3	$46.7	$8.9	$9.7
B/O	820	44.5	30.1	5.7	8.7
Raffle	201	10.9	4.8	1.9	4.2
Other	85	.3	.2	—	.1
Total	1,829	$121.0	$81.8	$16.5	$22.7

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses increased by $14,000 or .5 % total from that of the previous fiscal year. The decrease in advertising and promotion expense of $16,000 resulted from a change from general advertising to game specific promotions and advertising; the Board of Directors' expenses decreased from the previous year which included the holding of community relations meetings, and meetings resulting from the set-up of the Crystal Casino. The increase in pension cost was a result of an updated actuarial report on the estimated liability to the MLF.

Professional fees increased due to increases in legal fees and audit fees. Rental, repairs, maintenance costs decreased when casino staff were moved from an office building to the Hotel Fort Garry. The building at 484 McPhillips was demolished, resulting in savings in property taxes and utilities. The cost of the demolition was included in the 1989-90 Sundry account.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Foundation are properly safeguarded. Staff of the Provincial Auditor's Office review internal controls and report their findings to management and the Board.

The responsibility of the Provincial Auditor and his staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management, the Provincial Auditor and his staff to satisfy itself that each group has properly discharged its respective responsibility and to review the financial statements before approving them. The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

W Funk

Bill Funk
General Manager

Peter Hak

Peter Hak, Director
Finance and Administration

AUDITOR'S REPORT

To The Legislative Assembly of Manitoba

We have audited the balance sheet of the Manitoba Lotteries Foundation as at March 31, 1991 and the statements of changes in fund accounts, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1991 and the results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Winnipeg, Manitoba
June 17, 1991

F. H. Jackson, C.A.
Provincial Auditor

BALANCE SHEET

March 31, 1991

(In Thousands)

	NOTES	1991	1990
ASSETS			
Current Assets			
Cash	3	$5,970	$7,700
Accounts receivable	4	3,233	4,183
Inventories	5	634	505
		9,837	12,388
Fixed Assets	6	8,080	8,629
		$17,917	$21,017
LIABILITIES AND FUND ACCOUNTS			
Current Liabilities			
Accounts payable and accruals	7	$2,277	$2,753
Due to the Government of Manitoba		4,536	4,747
Due to organizations		675	4,840
		7,488	12,340
Accumulated Pension Benefits		1,748	1,316
Fund Account Balances		8,681	7,361
		$17,917	$21,017

See accompanying notes to financial statements.

On behalf of the Board,

Director & Chair
of the Audit Committee

Director & Chair
of the Board

STATEMENT OF OPERATIONS

for the year ended March 31, 1991

(In Thousands)

		SCHEDULES	1991	1990
Revenue	Lottery	1	$45,051	$44,528
	Bingo and break-open products	2	5,156	4,816
	Bingo halls	3	4,575	4,636
	Casino	4	8,641	1,529
	License fees	5	322	191
	Interest income		555	1,584
	Other income		59	103
			64,359	57,387
Expenses				
	General and administration	6	3,093	3,079
Net Income			$61,266	$54,308

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FUND ACCOUNTS

for the year ended March 31, 1991

(In Thousands)

	CASINO	BINGO HALLS	GAMING	GENERAL	1991	1990
Balance - Beginning of Year	$1,518	$ 843	$ —	$5,000	$7,361	$14,876
Net income	8,641	4,575	48,050	—	61,266	54,308
	10,159	5,418	48,050	5,000	68,627	69,184
Less:						
Grants to organizations	22	4,208	—	—	4,230	31,265
Allocations to the Government of Manitoba	7,666	—	48,050	—	55,716	30,558
	7,688	4,208	48,050	—	59,946	61,823
Balance - End of Year	$2,471	$1,210	$ 0	$5,000	$8,681	$7,361

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended March 31, 1991

(In Thousands)

	1991	1990
Cash provided by operating activities		
Net income	$61,266	$54,308
Non-cash charges to income:		
Depreciation and amortization	1,661	728
Loss (Gain) on write-offs and retirements	—	42
Deferred pension benefits	432	275
	63,359	55,353
Net changes in working capital items	345	2,936
Cash provided by operating activities	63,704	58,289
Cash distributions:		
The Government of Manitoba	(55,928)	(30,420)
Organizations	(8,394)	(32,234)
Cash provided by (used in) investment activities		
Purchase of fixed assets	(1,112)	(5,903)
Increase (decrease) in cash balance during the year	(1,730)	(10,268)
Cash balance, beginning of year	7,700	17,968
Cash balance, end of year	$ 5,970	$ 7,700

See accompanying notes to financial statements.

SCHEDULE 1 — NET LOTTERY REVENUE

for the year ended March 31, 1991

(In Thousands)

		1991	1990
Revenue			
	Lottery Sales	$126,209	$126,526
	Less: Cost of Sales	79,492	80,295
		46,717	46,231
	Interest and other	1,811	1,645
		48,528	47,876
Expenses			
	Advertising and promotion	177	90
	Depreciation and amortization	37	37
	Goods and services tax	11	—
	Health and education tax	24	22
	Postage and telephone	17	15
	Rentals, repairs and maintenance	42	40
	Salaries and benefits	1,112	1,091
	Sundry	47	68
	Travel	143	156
		1,610	1,429
		46,918	46,447
Payment to the Government of Canada		1,867	1,919
Net Lottery Revenue		$45,051	$44,528

SCHEDULE 2 — NET BINGO AND BREAKOPEN PRODUCT REVENUE

for the year ended March 31, 1991

(In Thousands)

		1991	1990
Revenue			
	Bingo paper sales	$2,536	$2,367
	Less: Cost of sales	1,875	1,940
		661	427
	Breakopen ticket sales	6,953	6,556
	Less: Cost of sales	2,098	1,861
		4,855	4,695
Expenses			
	Advertising and promotion	48	58
	Cartage	141	126
	Depreciation and amortization	2	4
	Goods and services tax	41	—
	Rentals, repairs and maintenance	47	47
	Salaries and benefits	70	66
	Sundry	11	5
		360	306
Net Revenue		$5,156	$4,816

SCHEDULE 3 — NET BINGO HALLS REVENUE

for the year ended March 31, 1991

(In Thousands)

		1991	1990
Revenue			
	Bingo paper sales	$12,632	$11,843
	Less: Prizes	7,940	7,379
	Cost of sales	399	392
		4,293	4,072
	Breakopen ticket sales	7,480	7,707
	Less: Prizes	5,172	5,327
	Cost of sales	663	614
		1,645	1,766
	Refreshment concessions	199	195
		6,137	6,033
Expenses	Advertising and promotion	44	51
	Depreciation and amortization	107	144
	Goods and services tax	13	—
	Health and education tax	14	12
	Rentals, repairs and maintenance	502	449
	Salaries and benefits	641	549
	Security	63	58
	Shortages	101	98
	Sundry	50	11
	Supplies and printing	27	25
		1,562	1,397
Net Revenue		$4,575	$4,636

SCHEDULE 4 — NET CASINO REVENUE

for the year ended March 31, 1991

(In Thousands)

		1991	1990
Revenue		*(in thousands)*	
	Casino	$15,141	$4,991
	Refreshment concessions and other	2	—
		15,143	4,991
Expenses			
	Advertising and Promotion	687	442
	Depreciation and amortization	1,309	296
	Goods and services tax	46	—
	Health and education tax	74	33
	Postage and telephone	53	36
	Professional fees	69	115
	Rentals, repairs and maintenance	495	419
	Salaries and benefits	3,172	1,575
	Security	246	139
	Sundry	84	140
	Supplies and printing	196	207
	Travel	71	60
		6,502	3,462
Net Revenue		$8,641	$1,529

SCHEDULE 5 — NET LICENSE FEE REVENUE

for the year ended March 31, 1991

(In Thousands)

		1991	1990
Revenue			
	License fees	$1,144	$1,019
Expenses	Advertising and promotion	1	6
	Depreciation and amortization	7	7
	Health and education tax	16	16
	Salaries and benefits	720	727
	Sundry	4	—
	Supplies and printing	14	12
	Travel	60	60
		822	828
Net Revenue		$322	$191

SCHEDULE 6 — GENERAL AND ADMINISTRATION EXPENSES

for the year ended March 31, 1991

(In Thousands)

		1991	1990
Expenses			
	Advertising and promotion	$ 126	$ 142
	Board of directors	63	83
	Cartage	12	11
	Depreciation and amortization	199	240
	Health and education tax	34	36
	Pension	410	302
	Postage and telephone	115	135
	Professional fees	155	86
	Rentals, repairs and maintenance	181	247
	Salaries and benefits	1,573	1,528
	Sundry	109	144
	Supplies and printing	104	103
	Travel	12	22
Total Expenses		$3,093	$3,079

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1991

1. Establishment of the Foundation and Nature of Operations

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act.

The Manitoba Lotteries Foundation as an agent of the Government of the Province of Manitoba, is responsible for the overall conduct and management of all lottery schemes in Manitoba, except for raffles with prizes under three thousand dollars. The Foundation may issue licenses to organizations to hold lottery schemes, in which case the Foundation carries out a supervisory and compliance control.

The Foundation works co-operatively with the Western Canada Lottery Corporation (W.C.L.C.) and sells and distributes all lottery tickets in Manitoba. W.C.L.C. is responsible for designing lottery games, printing lottery tickets, determining winning numbers, paying out prizes, as well as other administrative responsibilities as determined by the member provinces.

The Manitoba Lotteries Foundation conducts and manages bingo and breakopen ticket lotteries at two bingo halls. The Foundation also conducts and manages the Crystal Casino and rural casinos in the Province of Manitoba.

2. Significant Accounting Policies

(a) Revenue and expenses recognition

Revenue and expenses are recorded on an accrual basis except for licensing revenue, which is recognized on a cash receipts basis, and lottery revenue, which is recorded as of the date of the draw.

(b) Fixed assets and depreciation

Fixed assets are recorded at cost.

Furniture and equipment are depreciated on a straight-line basis over 5 years.

Building is depreciated on a straight-line basis over 20 years.

Leasehold improvements are amortized over the term of the lease.

(c) Pension costs

Employees and officers of the Foundation are pensionable under the Civil Service Superannuation Fund (the Fund) and make contributions to the Fund at prescribed rates. The Foundation is required to pay 50 % of the pension disbursements made to retired employees. It is the policy of the Foundation to charge to administrative expense, the employer's portion of pension benefits, including the amortization of any experience gains or losses, earned by employees. Experience gains or losses are amortized on a straight line basis over ten years. The unamortized balance of the experience loss at March 31, 1991 is $139,300. Pension costs are calculated on an indexed basis in accordance with a formula contained in the actuarial report prepared as of December 31, 1989.

(d) Fund accounts

The Foundation maintains specific fund accounts in order to recognize restrictions placed on the use of resources. The Balance Sheet combines the assets and liabilities of all the funds.

(i) Gaming fund

The Gaming fund account reflects the revenues and expenses of all lottery operations, except for casinos and bingo halls.

The funds in this account are payable to the Government of Manitoba.

(ii) Casino fund

The Casino fund account reflects the revenue and expenses of the casinos operated by the Foundation. The casino fund account is charged with all the direct expenses of operating the casino. There is no allocation of indirect expenses. The funds are payable to the Health Services Development Fund of the Government of Manitoba.

(iii) Bingo hall fund

The Bingo hall fund account reflects the revenue and expenses of the Bingo halls operated by the Foundation. The Bingo hall fund account is charged with the direct expenses of operating the bingo halls. There is no allocation of indirect expenses.

The funds are payable to Umbrella groups and/or community organizations that participated in the bingo events.

(iv) General fund

The General fund account reflects $5,000,000 retained by the Foundation for working capital and investment in fixed assets.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1991

3. Cash *(In Thousands)*

Consists of cash as well as term deposits with the Minister of Finance.

	1991	1990
Cash	$4,470	$4,200
Term deposits	1,500	3,500
	$5,970	$7,700

4. Accounts receivable *(In Thousands)*

	1991	1990
Western Canada Lottery Corporation	$2,804	$3,529
Trade	172	233
Accrued interest	8	58
Miscellaneous	249	363
	$3,233	$4,183

5. Inventories *(In Thousands)*

Inventories are valued at the lower of cost and net realizable value.

	1991	1990
Lottery tickets	$ 9	$ 11
Bingo paper	247	257
Breakopen tickets	378	237
	$ 634	$ 505

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1991

6. Fixed Assets *(In Thousands)*

	COST	ACCUMULATED DEPRECIATION and AMORTIZATION	1991 NET BOOK VALUE	1990 NET BOOK VALUE
Land	$1,345	$ —	$1,345	$1,345
Furniture and equipment	5,968	2,470	3,498	3,941
Building	1,807	429	1,378	1,426
Leasehold Improvements	3,255	1,396	1,859	1,917
	$12,375	$4,295	$8,080	$8,629

7. Accounts payable and accruals *(In Thousands)*

	1991	1990
Casino jackpot	$ 262	$ 123
Western Canada Lottery Corporation	2	32
Trade	1,171	1,760
Government of Manitoba	842	838
	$2,277	$2,753

8. Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000 adjusted for inflation to the Federal Government. The Province of Manitoba's share for the 1991 fiscal year is $1,866,946 (1990 — $1,919,009).

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1991

9. Vacation Benefits

Employees of the Manitoba Lotteries Foundation earned vacation benefits throughout the year. The estimated value of these unrecorded benefits as of March 31, 1991 is $375,700 (1990 — $313,500).

10. Lease obligation and commitments *(In Thousands)*

a) The future minimum rental payments relating to operating leases are as follows:

1992	$ 471
1993	449
1994	345
1995	201
1996	68
	$1,534

A significant portion of the leases are for facilities or rental of equipment.

11. Contingencies

Various legal actions have been commenced against the Foundation and the Foundation or its insurers are defending against all claims. While the outcome of these claims cannot be determined, management is of the opinion that the outcome of these actions will not have a material adverse effect on the Foundation's financial position.

No provision has been made in the accounts of the Foundation in respect to these claims as at March 31, 1991.

12. Comparative figures

Certain comparative figures have been reclassified so as to conform with the presentation adopted in 1991.

MANITOBA LOTTERIES FOUNDATION
BOARD OF DIRECTORS

April 1, 1990 to March 31, 1991

Mrs. Glenda Russell, Chairman (until February 1, 1991)
(Mrs.) Gerrie Hammond, Chair (effective February 6, 1991)
Winnipeg
Nellie Allen
Winnipeg
Ken Cooper
Winnipeg
Maxwell Davidson
Minnedosa
Lynn Filbert
Winnipeg
Ruth Gales
Winnipeg
Emily Konopelny
Winnipeg
Gordon Mitchell
Flin Flon
Les Parry, Vice-Chair
Winnipeg
Howard W. Robinson
Winnipeg
Jane Smith
Winkler
Bob Solmundson
Winnipeg
Claudia Weselake
Winnipeg
Bill Wilton
Brandon

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